MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

DMG5014 – MANAGEMENT ACCOUNTING 1

(All sections / Groups)

14 MARCH 2020
9.00 a.m. to 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 5 pages with 5 Questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet provided.

QUESTION 1

Corrina Manufacturing has the following cost records for the month of March 2020.

	RM		RM
Raw materials inventory, 1 Mar	36,300	Factory labour costs	122,800
Raw materials inventory, 31 Mar	29,900	Factory repairs	6,200
Finished goods inventory, 1 Mar	44,100	Sales salaries	25,500
Finished goods inventory, 31 Mar	42,000	Plant manager's salary	11,300
Work in process inventory, 1 Mar	18,800	Prepaid expenses	3,900
Work in process inventory, 31 Mar	13,300	Raw materials purchases	57,100
Accounts receivable	32,400	Sales returns and allowances	10,500
Cash	26,700	Sales revenue	333,600
Depreciation expense	31,100	Utilities expense	21,700

Additional information:

1. All raw materials used in production were direct materials.
2. 70% of the factory labour costs are direct labour.
3. 80% of the depreciation expense relates to factory operations.
4. 65% of the utilities expense relates to factory operations.

Required

(a) Prepare the Cost of Goods Manufactured Schedule. (9.5 marks)

(b) Prepare the Income Statement through gross profit. (5.5 marks)

(c) Prepare the current assets section of the Statement of Financial Position. (5 marks)

(Total: 20 marks)

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QUESTION 2

Eco Techno Sdn. Bhd. is a manufacturer that uses job order costing. On 1 January 2020, the company's inventory balances were as follows:

Raw materials	RM13,000
Work in process	11,000
Finished goods	18,000

The company applies overhead cost to jobs on the basis of machine hours worked. For the current year, Eco Techno estimated that it would work 90,000 machines hours and incur RM540,000 in manufacturing overhead cost.

The following transactions were recorded for the month of January:

1. Raw materials were purchased on account, RM41,000.
2. Raw materials were requisitioned for use in production, RM38,000; of which RM32,000 were direct materials.
3. Costs accrued for factory labour were RM18,000.
4. Time tickets indicated that RM12,400 were direct labour and the remaining indirect labour.
5. Overhead costs incurred on account were RM15,700.
6. Insurance expired during the month, RM5,000; of which 80% relates to factory operations and 20% relates to selling and administrative activities.
7. Depreciation was recorded for the month, RM21,000; of which 70% relates to factory operations and the remaining relates to selling and administrative activities.
8. Manufacturing overhead was applied to production. The company worked 8,000 machine hours during the month.
9. Goods costing RM90,000 to manufacture according to their job cost sheets were completed during the month.
10. Finished goods costing RM66,000 to manufacture were sold on account at 20% above costs.

Required

(a) Prepare journal entries to record the above transactions. Show your workings for the calculation of predetermined overhead rate. (14 marks)

(b) Calculate the amount of under- or overapplied overhead. Prepare the adjusting entry to adjust the under- or overapplied overhead. (3 marks)

(c) Prepare the T-account for Work in Process inventory to determine the balance at the end of the month. (3 marks)

(Total: 20 marks)

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QUESTION 3

Juwita Manufacturing Sdn. Bhd. uses the weighted-average method in its process cost system. Operating data for the Assembly Department for the month of March 2020 appears below:

Production Data	
Work in process, 1 March *(materials 90% complete, conversion costs 60% complete)*	6,000 units
Started into production	20,000 units
Transferred out to Packaging Department	24,000 units
Work in process, 31 March *(materials 70% complete, conversion costs 50% complete)*	2,000 units
Cost Data	
Work in process, 1 March (materials)	RM4,180
Work in process, 1 March (conversion costs)	RM7,500
Direct material costs incurred in March	RM900
Conversion costs incurred in March	RM5,000

Required

(a) Compute the following amount, show workings where necessary.
- (i) Total units to be accounted for. (1.5 marks)
- (ii) Total units accounted for. (1.5 marks)
- (iii) Equivalent units of production for materials and conversion costs. (4 marks)
- (iv) Unit cost for the month. (4.5 marks)
- (v) Costs to be accounted for. (2.5 marks)

(b) Prepare a cost reconciliation schedule. (4 marks)

(c) Prepare the journal entries to record the following transactions:
- (i) Materials used in March. (1 mark)
- (ii) Cost transferred out to Packaging Department in March. (1 mark)

(Total: 20 marks)

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QUESTION 4

Kaka Manufacturing has the following information recorded for the current year (Year 2019).

Selling price	RM30 per unit
Variable costs	RM7 per unit
Total fixed costs	RM607,200
Unit sold	48,000 units

For the coming year (Year 2020), the management expected that the variable costs will increase by RM2 per unit. Due to this, the management has decided to increase the selling price by RM6 per unit. There are no changes for the total fixed costs.

Required

Answer the following questions. Show workings where necessary.

(a) What is the effect of the changes to the contribution margin per unit? (4 marks)

(b) What is the effect of the changes to the break-even point in unit? (4 marks)

(c) What is the effect of the changes to the contribution margin ratio? (4 marks)

(d) If the company is expected to sell the same quantity for the coming year, what is the effect of the changes to the margin of safety ratio? (4 marks)

(e) Compute the required sales needed (in Ringgit Malaysia) for the coming year if the company plans to increase the current net income by 50%. (4 marks)

(Total: 20 marks)

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QUESTION 5

Hazelle Manufacturing was established in February 2020. The company produces and sells a single product. Cost data for the product are given below:

Selling price per unit	RM95
Variable costs per unit	Direct materials RM14 Direct labour RM20 Manufacturing overhead RM10 Selling and administrative expenses RM6
Fixed costs per month	Manufacturing overhead RM600,000 Selling and administrative expenses RM450,000

Production and sales data for February and March 2020 are as follows:

	Beginning Inventory	Units Produced	Units Sold	Ending Inventory
February	?	30,000	25,000	?
March	?	25,000	30,000	?

You are advised to determine the beginning and ending inventory for each month before preparing the Income Statement.

Required

(a) Assume the company uses **absorption costing**:
   (i) Calculate the product cost per unit for February and March. (3.5 marks)
   (ii) Prepare an income statement for the month of March. (5.5 marks)

(b) Assume the company uses **variable costing**:
   (i) Calculate the product cost per unit for March. (2 marks)
   (ii) Prepare an income statement for the month of March. (6.5 marks)

(c) Reconcile any differences for March's net income under the two costing approaches. (1.5 marks)

(d) Should the cost of finished goods inventory under the absorption costing or variable costing be used to report in the company's financial statements? Why? (1 mark)

(Total: 20 marks)

End of Paper